



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

October 7, 1998

MEMORANDUM FOR Director, BHR/ASHA, Mable Meares

From: *Thomas B. Anklewich*
Acting IG/A/PA, Thomas B. Anklewich

Subject: Audit of the Quality of Results Reported in the Bureau for Humanitarian Response's Office of American Schools and Hospitals Abroad Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. 9-000-99-002-P)

This memorandum is our report on the subject audit. In preparing this report, we considered your written comments to our draft report and included them as Appendix II.

The audit objective was to answer the question: Did the Bureau for Humanitarian Response's Office of American Schools and Hospitals Abroad (ASHA) report results data in its R4 prepared in 1997, which were objectively verifiable, supported, accurate, complete and validated? The R4 reported 1996 results for two indicators. One result was not supported and one was not accurate. We did not find any cases where the indicators were not objective. We also did not find any cases where the results were not complete or not validated. The report contains one recommendation for action by your office.

In responding to the draft report, ASHA management concurred with the recommendation. Management stated that it had modified the method of gathering, analyzing, and presenting performance data for the R4 prepared in 1998. In addition, ASHA noted that it has taken several steps to ensure that results reported in future R4s would be objectively verifiable, supported, accurate, complete and validated.

Based on management's response and acceptance of the recommended actions, a management decision has been made. USAID Management Bureau's Office of Management Planning and Innovation is responsible for deciding when final management action related to the recommendation has occurred.

I appreciate the cooperation and assistance that you and your staff provided to the auditors during the audit.

Background

Passage of the Government Performance and Results Act of 1993 (Results Act), among other things, was intended to improve the effectiveness of federal programs and public accountability

by promoting a new focus on results. The General Accounting Office (GAO) noted that key steps in building a successful results-oriented organization include collecting and using performance information in the decision making process. Congress also recognized, in the Results Act, that agency managers need performance information to facilitate decision making leading to programs that meet intended goals. GAO also noted that successful implementation of the Results Act is dependent on good information for decision-making purposes. In this regard, we adopted five characteristics of what we believe is good management information: objectively verifiable, supported, accurate, complete, and validated.

Since USAID was established in 1961, it has initiated numerous systems to report on program results. However, none of these systems have been fully successful. Over the past several years, the Office of Inspector General (OIG) has intermittently reported on weaknesses in USAID's ability to measure and report reliable program performance information. Examples of these audit reports include:¹

- A June 1995 report identified that USAID needed better direction and control procedures to ensure that (1) objectively verifiable and measurable indicators are established to measure program performance and (2) reliable and useful performance data are reported and documented.
- A March 1998 report on USAID's fiscal year 1996 financial statements identified that 29 of 38 (76 percent) quantified results reported in the program performance section of the overview section were either incorrect, vague, or unsupported.
- Another audit report issued in March 1998 identified that 10 of 11 overseas missions reviewed either had not developed or finalized a formalized, ongoing system of data collection and verification to report good performance data.

In light of the problems reported, and our continuing concern that these conditions may be prevalent throughout USAID, the OIG decided to perform a **USAID-wide** audit to establish a baseline for future OIG audit work, to identify problems with current data reporting, and to develop recommendations for improving data quality. This audit was not intended to assess the quality of the performance indicators (subject of a future audit), but rather to determine if the performance results reported in the **R4s** by operating units were objectively verifiable, supported, accurate, complete, and validated. This audit of the Bureau for Humanitarian Response's Office of American Schools and Hospitals Abroad (ASHA) is one of 18 audits being done on a **USAID-wide** basis.

ASHA's first R4 was prepared prior to August 1997, and was approved by USAID/Washington on October 3, 1997. The R4 includes two indicators for which performance results (or baseline

¹ The three audit reports referred to in this paragraph are Audit Report No. **1-000-95-006** (dated June 30, 1995), Audit Report No. 0-000-98-001-F (dated March 2, 1998), and Audit Report No. 9-000-98-001-P (dated March 26, 1998).

data) were reported for fiscal year 1996. As of September 30, 1997, ASHA had obligated and expended in support of its active programs a total of \$64 million and \$14 million, respectively.

Audit Objective

The Office of Inspector General, as part of a USAID-wide audit, performed the audit to answer the following question:

Did the Bureau for Humanitarian Response's Office of American Schools and Hospitals Abroad report results data in its Results Review and Resource Request prepared in 1997, which were objectively verifiable, supported, accurate, complete and validated?

Appendix I describes the audit's scope and methodology.

Audit Findings

Did the Bureau for Humanitarian Response's Office of American Schools and Hospitals Abroad report results data in its Results Review and Resource Request prepared in 1997, which were objectively verifiable, supported, accurate, complete, and validated?

The Bureau for Humanitarian Response's Office of American Schools and Hospitals Abroad did not report results data which were supported or accurate. We did not find any cases where the indicators were not objective. We also did not find any cases where the results were not complete or not validated.

Federal laws and regulations require federal agencies to develop and implement internal management control systems that (1) compare actual program results against those anticipated; (2) provide for complete, reliable, and consistent information; (3) ensure that performance information is clearly documented and that the documentation is readily available for examination. For example, Office of Management and Budget (OMB) Bulletin 93-06 requires agencies to have internal control systems to provide reasonable assurance that support for reported performance results is properly recorded and accounted for to permit preparation of reliable and complete performance information. (See Appendix III for a further discussion of relevant laws and regulations as well as related USAID policies and procedures.)

For the purpose of this audit, our definitions are as follows:

- **Objectively Verifiable-The** indicator is objective and the results have to be objectively verifiable. This means the indicator has no ambiguity about what is being measured. That is, there is general agreement over interpretation of the results. The indicator is both unidimensional and operationally precise. To be unidimensional means that it measures only one phenomenon at a time. Operational precision means no ambiguity over what kind of data would be collected for an indicator.

- *Supported*—This means that there was adequate documentation that supports the reported result. The support should be relevant, competent, and sufficient (as noted in the General Accounting Office’s Government Auditing Standards). For example, a memo of a telephone conversation, or “best guesses” would not be considered adequate documentation.
- *Accurate*—This includes (1) being within plus or minus one percent (1.0 percent) of the actual documented result; and (2) being consistent with what was to be measured under the indicator, e.g., if the indicator was to vaccinate children under 5 years of age then the result would not be consistent if the supporting documents show that the result was for children under 3 years of age. The result would also not be considered accurate if supporting documents show that the result was achieved prior to January 1, 1996. (Note: Since we only reviewed results in the “performance data tables” for “1996”, the result would not be considered accurate if supporting documents showed the result was achieved in 1992.)
- *Complete*—This means the result includes all data against what was anticipated to be measured for the indicator and is for a full year. For example, if 20 regions were to be measured, but only 18 regions were measured, the result would not be complete. Also, if the results were only for a partial year (e.g., a six-month period), then the result would not be complete.
- *Validated*—This refers to the source of the data and the reliability of that source. We considered the source reliable if it came from an independent source such as the World Bank, United Nations (U.N.), independent evaluators, or an independent Demographic and Health Survey. If the data came from a contractor involved with the program or the host country government, then we considered the source reliable if USAID or an independent entity had performed an assessment of the data and/or system for generating the data and found the data or system to be reliable. (We fully recognize that under the Government Performance and Results Act (GPRA) USAID must validate from all its sources including the World Bank, U.N., etc., but, for the purposes of this audit, we are not reviewing USAID’s determination of validity of these independent sources. We plan to test USAID’s validation process for external information, like the U.N. at a later time in another audit.)

Our audit found problems with both results reported for performance indicators for which results were reported in the R4 for fiscal year 1996 (prepared in 1997). A summary follows:²

- One indicator was “percent of assisted institutions that have performance monitoring plans and judge accomplishments resulting from grants.” The result reported for 1996 was 14

² To avoid duplicating the problems related to the reported results (e.g., a reported result could be both not supported and not accurate), we classified only one problem according to the following hierarchy: not objectively verifiable, not supported, not accurate and not complete.

percent (3 institutions with plans with a universe of 21 institutions), which referred to the number of institutions with plans to the total number of institutions. Based on the indicator (as stated in the R4) and available documentation, the reported result was not supported since it could not be determined when one of the three plans was actually received. In addition, the reported result was not accurate since one plan was dated in January 1997, not 1996. Furthermore, the result reported was inconsistent with the indicator because the issue of "...judge accomplishments resulting from grants" was not considered in determining the reported results.

- The other indicator was "percent of grantees that complete the agreed-upon actions on time." The result reported was 15 percent (supporting documentation showed 17 percent) and we calculated 26 percent. We found that the reported amount is understated (not accurate) because ASHA did not use the correct methodology to determine the total number of grantees and five grants were not counted as complete due to an oversight. In determining the total number of grants, ASHA included several that were not due for completion during the period for which they were measuring. Therefore, the percentage was understated because the total number of grants included some that were not to be completed until the following fiscal year or later.

ASHA officials said that in 1996 their office was going to be phased out and then in 1997 USAID management decided to keep funding ASHA. Originally, the R4 prepared in 1997 reporting 1996 results was a pilot R4 and was not to be distributed. Subsequently, the R4 was distributed, but according to ASHA officials, they were unable to review the R4 before it was distributed because of time constraints. ASHA officials also stated that they were currently in the process of further defining how they will define their indicators and measure results. For instance, they are determining whether they want to use cumulative or yearly data for their indicators. They also stated that they believe their new R4 has improved greatly because it is easier to understand and the numbers are supported.³

Without reliable performance data, decision makers have little assurance whether an operating unit met, exceeded or fell short in achieving their program objectives and related targets. In our opinion, the problems with performance indicators and reporting on performance impair ASHA's

³ We recognize that USAID/Washington bureaus are responsible for providing support to operating units to develop effective performance monitoring systems to report on program results and for reviewing the R4 process. For example, USAID's policies and procedures (Automated Directives System [ADS] Sections 20 1 .5, 1 la and 203.3) stipulate that the Bureau for Policy and Program Coordination should (1) ensure the adequacy of operating units' strategic plans for measuring performance and documenting impact and (2) provide technical leadership in developing USAID and operating unit performance monitoring and evaluation systems. These policies and procedures also stipulate that the Bureau for Humanitarian Response should (1) provide oversight and support to its operating units in developing their strategic plans for measuring program performance; (2) supporting its operating units in achieving approved objectives, and reviewing and reporting annually those units' performance in achieving their objectives; and (3) managing the R4 submissions for operating units under its authority. The issue of USAID/Washington support and oversight will be addressed in another audit report which will be issued on completion of this USAID-wide audit.

and USAID management's ability to measure progress in achieving ASHA's program objectives and to use performance information in budget-allocation decisions. The problems also impair USAID's ability to comply with laws and regulations.

Recommendation No. 1: We recommend that the Bureau for Humanitarian Response's Office of American Schools and Hospitals Abroad ensure that the performance data identified in its R4 prepared in 1998 are supported, accurate, complete, and validated; or fully disclose in the R4 any data limitations and their implications for assessing the measurement and achievement of performance targets for each performance indicator, and a time frame for resolving the problems.

Management Comments and Our Evaluation

In responding to the draft report, ASHA management concurred with the recommendation. Management stated that it had modified the method of gathering, analyzing, and presenting performance data for the R4 prepared in 1998. In addition, ASHA noted that it has taken several steps to ensure that future R4s would be supportable, accurate, complete and valid.

Based on management's response and acceptance of the recommended actions, a management decision has been made.

SCOPE AND METHODOLOGY

Scope

We audited the Bureau for Humanitarian Response's Office of American Schools and Hospitals Abroad's internal management controls for ensuring that it reported objectively verifiable, supported, accurate, complete, and validated performance results data in its Results Review and Resource Request (R4) report. (See pages 3 and 4 of this report for definitions). We audited only the results (including baseline data) reported for 1996 in the R4 prepared in 1997. The audit was performed in accordance with generally accepted government auditing standards and was conducted at USAID/Washington from March 4, 1998 through June 8, 1998.

We limited our work on the quality of data to the results for only (1) the performance indicators identified in the "performance data tables" in the R4 (prepared in 1997), and (2) the actual results for which such data was shown for 1996. Therefore, if no actual results for an indicator were shown for 1996, we did not assess the validity and reliability for the results for that indicator. We did not review results reported in the narrative portion of the R4.

We did not attempt to determine if the baseline data and the results reported for 1996 were consistent and based on comparable data.

Methodology

This audit is one of 18 audits being done on a USAID-wide basis. The Office of the Inspector General's Performance Audits Division in Washington, D.C. is the lead office. Operating units to be audited were selected using a random sample based on assistance from statisticians from the Department of Defense's Office of Inspector General.

To accomplish the audit objective, we interviewed officials from the Bureau for Humanitarian Response's Office of American Schools and Hospitals Abroad. We also reviewed the documents which supported the reported results. Where problems were found, we verified to the extent practical, the causes of the problems. This included additional interviews with operating unit personnel.

To avoid duplicating the problems related to the reported results (e.g., a reported result could be both not supported and not accurate), we classified indicator results as having only one problem

according to the following hierarchy: not objectively verifiable, not supported, not accurate and not complete. We did, however, classify results as not validated (if applicable) in addition to another problem because we believe that the requirement for operating units to assess the quality of data sources was a distinct function and potentially related to each of the type of problems included in the hierarchy. We did not assess whether a result was validated if the result was not objectively verifiable.

If the results reported for the indicators were found to be objectively verifiable, supported, accurate, complete and validated: (a) 95 percent or more of the time, (b) 80 to 94 percent of the time, or (c) less than 80 percent of the time, we would provide a positive, qualified, or negative answer to the audit question, respectively.



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MEMORANDUM

21 September 1998

TO: IG/A/PA, David Comer, Director

FROM: BHR/ASHA, Mable S. Meares, ^{*MSM*} Director

SUBJECT: Management Comments for Draft Audit of Results Reported in the Bureau for Humanitarian Response's Office of American Schools and Hospitals Abroad Results Review and Resource Request (R4) Prepared in 1997 (Report No. x-XXx-98-xXX-P)

The above referenced draft report contained the following:

Recommendation No. I: We recommend that the Bureau for Humanitarian Response's Office of American Schools and Hospitals Abroad ensure that the performance data identified in its R4 prepared in 1998 are supported, accurate, complete, and validated; or fully disclose in the R4 any data limitations and their implications for assessing the measurement and achievement of performance targets for each performance indicator, and a time frame for resolving the problems.

Management Decision:

BHR/ASHA accepts the recommendation of the report.

As was discussed on several different occasions with the IG staff, the most recent by telephone on 15 July 1998, BHR/ASHA was just beginning to prepare our 1998 R4 when this audit began. As a result of the questions asked by the IG staff, ASHA modified the method of gathering, analyzing, and presenting performance data for this iteration of our R4. Additionally, all data is cross referenced for easy verification to ensure that it is objectively verifiable, supported, accurate, complete and validated. The R4, with back-up documentation is available for the IG's review in the ASHA office.

One of the most important results of preparing a draft, pilot R4 in 1997 (the subject of this audit) was the development and implementation of a plan to ensure that the data reported in future American Schools and Hospital Abroad (ASHA) R4s would be supportable, - accurate, complete, and valid. It was obvious to ASHA staff that performance monitoring systems and procedures would have to be developed in partnership with its grantees in order to implement the plan. It was also clear that because of limited human resources, additional technical assistance would be required to accomplish this. To this end, ASHA obtained the services of two strategic planning and performance monitoring specialists through their institutional contractor in February 1998.

In order to monitor the impact of its grants and to assist both ASHA and the grantees in managing grants and accomplishing and reporting on planned results, the writing, submitting, and use of Performance Measurement Plans (PMPs) by grantees was made a requirement of all grants made after 1995. In order to assist grantees in complying with the requirement for PMPs, ASHA developed a plan, currently being implemented, to assist grantees with this new PMP requirement. In May 1998, representatives of ASHA's grantees from both U.S. Organizations (USOs) and the benefitting Overseas Institutions (OSIs) participated in strategic planning and performance monitoring plan workshop sponsored by ASHA. The workshop presented the background of USAID's strategic planning efforts and the directives on performance monitoring, as well as, the Government Performance and Results Act (GPRA). Following the discussions, ASHA's partners formed working groups and reviewed ASHA's strategic plan and made suggestions for improvements and refinements to the plan. The working groups also developed suggestions for ASHA's Performance Monitoring Plan. A handbook, ASHA Handbook on Strategic Planning and Performance Monitoring, was distributed and reviewed at the workshop.



As a follow up to the workshop, ASHA is providing technical assistance to USOs and OSIs to help the grantees refine and implement their PMPs. In addition, ASI-IA staff is continuing to confer with USOs and OSIs to solicit their input for potential revision to ASHA's strategic plan and performance measurement system. A follow up workshop on Performance Measurement Plans was held on September 18, 1998. Another handbook, Preparing a Performance Measurement Plan, was prepared and distributed at the follow up workshop.

In preparing our R4 in 1998, we reviewed the lessons learned from the 1997 pilot R4 exercise. A performance reporting questionnaire was prepared and distributed to 92 relevant grantees. This instrument was used to collect data on the R4 indicators. The data was compared to previous reported results (quarterly reports) and first hand knowledge of ASHA staff obtained during field visits to various overseas sites. It should be noted that field visits are limited by our travel budget. A R4 database was developed to analyze results data. All data reported in this year's R4 is supported by documentation found in the 1998 R4 Documentation Notebook.

In anticipation of our 1999 R4, ASHA is providing **technical** assistance to our grantees to assist them in collecting and **analyzing** relevant results data. Within the **limits** of our travel budget and human resources, **ASHA will be conducting** field visits that will include **verifying** the reliability and validity of the data.

Therefore, **BHR/ASHA** requests that **IG/A/PA** consider this **recommendation** as resolved when the report is issued.


(Dated: JWA/ra:9/11/98)

Clearances: M Luina, BHR/PPE 
S Sadler, BHR/PPE 

**Federal Laws and Regulations, and USAID Guidance
Relevant to Measuring Program Performance**

There are numerous federal laws and regulations requiring USAID (and other federal agencies) to develop and implement internal management controls to measure and report on program performance. Discussed below are examples of those requirements, in addition to the Government Performance and Results Act, as well as related USAID policies and procedures.

Laws and Regulations

The Chief Financial Officers Act of 1990 requires management internal controls which provide for (1) complete, reliable, consistent, and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of agency management; and (2) the systematic measurement of performance.

Standards for Internal Controls in the Federal Government issued by the U.S. General Accounting Office in 1983 require systems of internal controls that ensure that all transactions and other significant events are to be clearly documented, and that the documentation be readily available for examination.

OMB Circular No. A-123 (dated June 21, 1995), which is the executive branch's implementing policies for compliance with the Federal Managers' Financial Integrity Act of 1982, requires agencies to have management internal controls to ensure that (1) programs achieve their intended results; and (2) reliable and timely information is obtained, maintained, reported and used for decision making.

OMB Bulletin 93-06 (dated January 8, 1993) requires agencies to have internal control systems to provide reasonable assurance that support for reported performance results are properly recorded and accounted for to permit preparation of reliable and complete performance information.

The Foreign Assistance Act (Section 621A), as amended in 1968, requires USAID to develop and implement a management system that provides for comparing actual results of programs and projects with those anticipated when they were undertaken. The system should provide information to USAID and to Congress that relates USAID resources, expenditures, and budget projections to program objectives and results in order to assist in the evaluation of program performance.

USAID Policies and Procedure

The most recent USAID system, known as the Automated Directives System for Managing for Results (ADS 200 Series), for measuring and reporting on program performance was initiated in October 1995. This new system requires (Section 203.5.1a) that operating units establish

performance monitoring systems to regularly collect and analyze data which will enable them to track performance and objectively report on the progress in achieving strategic objectives and intermediate results. The ADS also requires (Sections 203.5.5, 203.5.5e, E203.5.5 and 203.5.9a) operating units to:

- establish objective performance indicators (with related baseline data and targets) to measure progress in achieving program objectives;
- critically assess the performance data at regular intervals to ensure that reported performance data are of reasonable quality and accurately reflect performance; and
- prepare an annual Results Review and Resource Request (R4) report which must include performance information on progress in achieving its program objectives for the immediate past fiscal year.

TIPS No. 6 “Selecting Performance Indicators,” which is supplemental guidance to the ADS, defines objective as:

“An objective indicator has no ambiguity about what is being measured. That is, there is general agreement over interpretation of the results. It is both unidimensional and operationally precise. To be unidimensional means that it measures only one phenomenon at a time. . . . Operational precision means no ambiguity over what kind of data would be collected for an indicator. For example, *while number of successful export firms* is ambiguous, something like *number of export firms experiencing an annual increase in revenues of at least 5 percent* is operationally precise.”

TIPS No. 7 “Preparing a Performance Monitoring Plan,” which is also supplemental guidance to the ADS, stipulates that each performance indicator needs a detailed definition. The definition should be detailed enough to ensure that different people at different times, given the task of collecting data for a given indicator, would collect identical types of data. The definition should be precise about all technical elements of the indicator statement. For example, the TIPS states:

“As an illustration, consider the indicator *number of small enterprises receiving loans from the private banking system*. How are small enterprises defined -- all enterprises with **20** or fewer employees, or 50 or 100? What types of institutions are considered part of the private banking sector -- credit unions, government-private sector joint-venture financial institutions?”

ADS Section E203.5.5 also requires operating units to (1) assess data quality as part of the process of establishing performance indicators and choosing data collection sources and methods; (2) collect results data for each performance indicator on a regular basis; (3) reassess data quality as is necessary but at intervals of no greater than three years. These policies and procedures also

state that if data for a performance indicator proves to be unavailable or too costly to collect, the indicator may need to be changed.

In addition, ADS section 203.5.8c states that USAID will conduct a review of performance on an annual basis which will include analyzing operating units performance and “shall focus on the immediate past fiscal year”, but may also review performance for prior years.

USAID guidance issued in January 1997 for preparing the R4s stated that the goal of the guidance was to generate R4s which ensure that USAID/Washington management has the information they need to make results-based resource allocations among operating units and report on USAID's achievements. The guidance also stated that the most effective R4s are those that (1) assess performance over the life of objectives, with an emphasis on the past year, using established indicators, baseline data and targets; and (2) state explicitly whether and how much progress or results surpassed, met or fell short of expectations. The guidance stated that the results should cover actual performance through fiscal year 1996.